

Industry Circular



Internal Revenue Service
Alcohol, Tobacco, and Firearms Division
Washington, D.C. 20224

Industry Circular No. 70-25

August 5, 1970

ESTABLISHMENT OF STANDARD EXPORT DRAWBACK RATES

Proprietors of Distilled Spirits
Plants and Others Concerned:

The purpose of this Industry Circular is to advise you of the provisions of Revenue Ruling 70-427, which will soon be published in the Internal Revenue Bulletin. This revenue ruling extends to claims covering unrectified products the provisions of Revenue Ruling 70-327, I.R.B. 1970-25, 24, regarding the filing of supporting forms, and clarifies, insofar as drawback rates are concerned, the status of unrectified products and gin and vodka produced exempt from rectification tax. Revenue Ruling 70-427 will be published in substantially the following form:

The Internal Revenue Service has been asked whether, in the interest of economy, standard export drawback rates may be established.

Section 5062(b) of the Internal Revenue Code of 1954 and the applicable sections of 26 CFR Part 252, Exportation of Liquors, provide for allowance of a drawback equal in amount to the tax found to have been paid or determined on distilled spirits. In order to comply with the statutory and regulatory requirements, establishment of a standard export drawback rate must be restricted to:

1. Products having no alcoholic content other than fully taxpaid spirits, i.e., unrectified spirits and gin and vodka produced exempt from rectification tax;
2. Spirits rectified pursuant to approved formulas which (a) are precise as to the quantity or percentage of the ingredients to be used, including the alcohol content of the ingredients, and (b) permit no variation except in the proof of the finished product due to increases or decreases in the quantities or percentages of water or other non-alcoholic ingredients used; and
3. Spirits rectified pursuant to formulas in which the quantities or percentages and the alcoholic content of the ingredients vary between established limits, and on which the drawback rate is computed on the basis of the maximum quantity and highest alcoholic content of wine and alcoholic flavoring material permissible under the formula, even though such wine and flavoring material were used in the minimum quantities and/or the lowest alcoholic content.

Held, products which derive all of their alcoholic content from fully taxpaid spirits, i.e., unrectified spirits and gin and vodka produced exempt from rectification tax, are considered, without further action by the claimant, to be subject to a standard drawback rate equal to the rate of tax imposed by section 5001(a)(1) of the Code.

Held further, in the case of rectified products, other than gin and vodka produced exempt from the rectification tax, rectifiers may submit, to the Director, Alcohol, Tobacco and Firearms Division, precise formulas on Form 27-B Supplemental

for the purpose of securing the benefits of standard export drawback rates. Each such formula submitted shall include the following statement immediately above the signature of the rectifier:

For the purpose of having a standard export drawback rate established, I agree to adhere strictly to the formula set forth above and to accept the rate of drawback established for this product.

Rectifiers may also submit formulas on Forms 27-B Supplemental for products in which the quantities, proof, and alcoholic content of spirits, wines, and alcoholic flavoring materials vary between specified limits in arriving at the specified proof. Each such formula submitted shall include the following statement immediately above the signature of the rectifier:

For the purpose of having a standard export drawback rate established, I agree to accept the rate of drawback established, based on the largest quantity and the highest alcoholic content of wine and alcoholic flavoring material that might be used in any product produced under this formula.

On all formulas containing alcoholic flavoring materials the rectifier shall state whether nonbeverage drawback has been or will be claimed on the alcoholic flavoring material to be used.

In the case of existing approved formulas which meet the above criteria, the rectifier may, in lieu of submitting a new formula, file with his Assistant Regional Commissioner, Alcohol, Tobacco and Firearms, a signed rider, in triplicate, identifying the formula and containing the statements, as applicable, described in this holding.

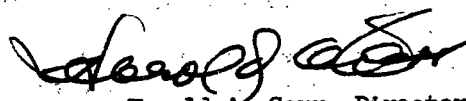
The rate of drawback established by the Assistant Regional Commissioner for the formula will be entered on each approved Form 27-B Supplemental furnished the rectifier or on a copy of the rider which will be returned to the rectifier for attachment to his file copy of the formula.

It is further held that returned bottled goods and dregs and remnants produced under a formula on which a standard drawback rate has been established may be added to a batch of the identical formula, provided that the approved formula specifies that returned bottled goods and dregs and remnants may be added and that such returned bottled goods and dregs and remnants can be identified as having been produced under the identical formula.

Each claim for drawback filed for a rectified product other than gin and vodka produced exempt from rectification tax, on which a standard drawback rate has been established, shall show the formula number and date.

The Assistant Regional Commissioner may waive the requirements in 26 CFR 252.195a for the filing of supporting forms with each claim for drawback except the requirement for filing Form 179 covering taxpayment of spirits bottled in bond on bonded premises. However, if the Assistant Regional Commissioner finds a need for the other supporting forms, he may require that they be furnished as provided in the regulations.

Inquiries regarding this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol, Tobacco and Firearms.



Harold A. Serr, Director
Alcohol, Tobacco and Firearms Division